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EI

SUBJECT: SCENESETTER FOR VISIT OF CODEL DODD TO IRELAND

¶1. (U) Embassy Dublin welcomes Senator Dodd to Ireland. The Senator will arrive against a backdrop of an Irish Government led by Prime Minister Brian Cowen that is facing economic woes, uncertain relations with the European Union following its rejection of the Lisbon Treaty in a referendum in June 2009, and a successful peace process in Northern Ireland that the Irish believe continues to advance.

Lisbon Treaty

¶2. (SBU) Looming large on the political landscape is the Irish rejection of the Lisbon Treaty referendum on June 12. Since then, Prime Minister Cowen has attended two European Council meetings, where other EU Heads of Government agreed that Ireland needed time to analyze the outcome of the vote, consult internally and with other EU member states, and devise a way forward for EU reform. A third meeting with the European Council is scheduled for December 11-12, 2008. In the first two meetings, the European Council laid down two markers: the treaty ratification process would proceed throughout the EU (currently Ireland is one of only two EU member states to have not fully ratified the Treaty); and the European Council would revisit the issue of Ireland's rejection of the Treaty. Ireland is now on the hook to suggest ways out of the dilemma.

¶3. (SBU) Cowen has been discretely floating the concept of holding a second referendum in late 2009 with political "opt-outs" to protect Irish positions on retaining an EU Commissioner, neutrality, abortion, and taxation. However, most other EU member states want the Lisbon Treaty to be fully ratified before the June 2009 European Parliament election so that the election can be held under new Lisbon Treaty rules. Though Cowen hopes for patience and new, constructive ideas from the European Council next week, he will also be expected to propose a roadmap for the way forward.

Difficult Economic Times Ahead

¶4. (U) Until the recent economic crisis, Ireland had one of the fastest growing economies in the world over the past decade. Ireland's Celtic Tiger transformation resulted from a combination of low corporate tax rates, industrial peace, pro-investment policies, fiscal responsibility, and effective use of EU support funds. These factors (in addition to staunchly pro-American business policies) have led over 600 U.S. firms to establish operations in Ireland; the stock of U.S. investment in the country is, in fact, significantly more than the U.S. combined total in the BRIC countries (Brazil, Russia, India, and China).

¶5. (U) This year, Ireland's economy began to stumble. In

October, the government predicted a budget deficit of 6.5 percent of GDP and that the economy will contract by 0.8 percent in 2009. Those figures already look optimistic given the government's early December announcement of a worse-than-expected tax revenue shortfall. Based on those numbers, private-sector economists are now forecasting a drop in GDP this year and next of between two and five percent. The government introduced an austere budget for 2009 featuring unpopular spending cuts (in health and education in particular) and tax increases.

¶6. (U) In addition to the worsening macroeconomic picture, the Irish banking system was on the verge of collapse prior to the government stepping in on September 30 and guaranteeing the liabilities of the six major Irish banks. In spite of this guarantee, there is still a worry among market watchers that the government will be forced to follow some of its European neighbors and inject fresh capital into the banking system. In recent comments, Finance Minister Brian Lenihan indicated that he was exploring the possibility of a capital injection. The Irish property market bubble burst in 2008 (with prices falling by up to 40 percent in some sectors of the market) prompting a worry that the banks would end up holding a significant amount of impaired assets.

¶7. (SBU) Immigration. The Irish Government continues to consult and lobby with Congress and Irish-American groups on behalf of Irish residing illegally in the U.S., variously estimated at between 5,000 and 50,000. A special unit of the Department of Foreign Affairs, set up in 2006 to assist the Irish Diaspora, assists Irish Ambassador to the U.S. Michael Collins in this endeavor. While the Irish Government

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understands that Irish illegal aliens will not be dealt with separately from comprehensive U.S. immigration reform, the Irish take this emotive domestic issue to heart. Irish officials regularly express deep concern for these illegal aliens and frequently ask the USG to regularize their status as soon as possible. Ireland has also been a magnet for inward immigration, attracting over 100,000 new arrivals since the accession of ten new EU Member States in 2004. With the economy's slowdown, however, leading economists are predicting net migration out of Ireland for the next two years at least.

¶8. (SBU) Special Visas. Ireland and the U.S. have successfully negotiated a special visa category (a modified J-1 visa) which will enable Irish citizens to live and work in U.S. for up to one year (a duration longer than currently available under existing visa regulations); and vice versa. The Irish are impatient to have this new visa program actually commence.

Changes in U.S. Tax Code

¶9. (SBU) The Irish government is concerned about previous proposals from President-elect Obama that would reduce or eliminate the tax advantage U.S. multinationals receive for investing in low-tax jurisdictions overseas. With a corporate tax rate of 12.5 percent a major contributing factor, Ireland has attracted a stock of \$87 billion in U.S. foreign direct investment. These U.S. companies generate a significant portion of the Irish economy's GDP, employment, and exports. Both the Irish Finance and Foreign Affairs Ministers have commented publicly that the government will lobby against any such change to the U.S. tax code, which they see as a direct threat to Irish economic well-being.

Northern Ireland

¶10. (U) The USG and the Government of Ireland continue to

work together to support economic growth in the North and North-South Cooperation. The Irish have told us that the USG's consistent position that devolution of policing and justice is an important and integral part of the Northern Ireland peace process contributed to an agreement between Sinn Fein and the Democratic Unionist Party (DUP) in November 2008 on how to achieve devolution. The Irish were also highly appreciative that the USG supported a major investment conference in Belfast in May 2008.

Rendition Allegations

¶11. (SBU) On October 29, the Government of Ireland established a Cabinet-level committee to review Ireland's human rights policies - giving it a mandate to approach the transition team of the incoming Obama Administration to review Irish concerns about renditions, the detention facility at Guantanamo Bay, and intensive interrogation techniques which are considered torture (such as waterboarding). The Committee will also review appropriate authorities to ensure that the national police force (Garda) and airport authorities have sufficient powers to search and inspect all aircraft transiting Ireland which are suspected of being involved in renditions, perhaps through strengthening the Air Navigation and Transport Acts. The creation of this committee was, in part, at the behest of the Green Party coalition partner in government. While formation of the committee is likely to provide greater government oversight of human rights concerns, we do not expect it to result in aircraft inspections or otherwise adversely affect U.S.-Irish relations.

¶12. (SBU) Since the issue of alleged renditions broke in 2004, the Irish have publicly stated that they have accepted USG assurances that no rendition prisoners have transited Ireland. Top Irish officials, including the Prime Minister, have declared that they would take the USG at its word and not pursue inspections of U.S. aircraft suspected of transiting Ireland with rendition prisoners without sufficient probable cause. As recently as December 2007, then Prime Minister Bertie Ahern and then Foreign Minister Dermot Ahern categorically rejected Opposition and Irish Human Rights Commission calls for random inspections of U.S. aircraft. Current Prime Minister Brian Cowen, then Minister of Finance, supported this position.

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Guantanamo Bay Detainees

¶13. (SBU) The United States continues its effort to resettle 17 Uighurs, 4 Uzbeks and other detainees at Guantanamo that cannot be returned to their home countries due to inhumane treatment concerns. The State Department is working with a number of European countries in an effort to put together a group of countries to step forward and resettle detainees as a humanitarian gesture. We have been told in previous approaches that Ireland is unwilling to consider accepting detainees. It would be extremely helpful if Ireland would consider joining the European group in discussing the possible resettlement of these detainees.

U.S.-Irish Strategic Relationship

¶14. (U) Cowen announced on July 17 in New York that Ireland would conduct a strategic review of relations between the U.S. and Ireland, to be led by Irish Ambassador to the U.S. Michael Collins. Irish officials have clarified that the purpose of the strategic review is to look beyond the U.S. cooperation on the Northern Ireland peace process, identify

Ireland's key interests in the U.S., and determine if the Irish government's resources are being best deployed in support of those interests.

Aviation Pre-Clearance at Shannon and Dublin Airports

¶15. (U) DHS Secretary Chertoff and Irish Transport Minister Noel Dempsey signed the completed U.S.-Irish Pre-Clearance Agreement in Washington on November 17. The agreement will allow for U.S. customs clearance at Shannon and Dublin airports in addition to the already existing immigration clearance. If all goes as planned, full pre-clearance (immigration and customs) will begin in Shannon in 2009 and in Dublin in 2010. Shannon airport officials have indicated they will break ground on the new U.S. Customs and Border Protection facility on January 5, 2009 and will open the facility on July 1, 2009.

Environment/Energy Initiatives

¶16. (U) Embassy Dublin has a very active relationship with the Irish government on environment and energy issues. We worked with various Irish agencies to put together an ocean energy workshop in Galway in July 2008, which was attended by several U.S.-based companies. We are also putting together a series of visits by U.S. government and private sector experts, the first of which is a visit by a DOE official to discuss the USG's public sector energy efficiency program. We believe that we can effectively partner with the Irish on the nexus of environmental/energy issues (including climate change, ocean/wave energy, methane capture, and clean coal technologies), which would be useful in our broader engagement with Europe going forward. Ireland is very active in this area given that they are well above their Kyoto Protocol and EU commitments to reduce emissions and they are worried about their energy security. Ireland has extremely limited indigenous fossil fuel sources of energy.

Global and Regional Efforts

¶17. (SBU) The U.S. and Ireland have worked closely and effectively on issues of shared concern, especially through Ireland's participation in multilateral organizations such as the UN and the EU. Ireland recently resettled ten Cuban refugees sheltering at Guantanamo. Ireland's military neutrality, however, remains an important cornerstone of its foreign policy, and will need to be considered when proposing bilateral initiatives.

Iraq/Access to Shannon Airport. The USG appreciates Ireland's steadfast support in permitting U.S. military transits at Shannon and Dublin Airports (over one million troops since 2003; 262,000 in 2007), which backstop U.S. actions in the Gulf region, despite the unpopularity of this policy domestically. Ireland has also made a commitment of over three million euros to the EU's reconstruction efforts

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in Iraq.

Irish Peacekeeping/Darfur/Chad. The Irish Defense Forces have nearly 800 troops serving in multilateral peacekeeping missions in Kosovo, Chad, Bosnia, Afghanistan, and elsewhere. Ireland is contributing 455 troops to the ESDP EUFOR mission to Chad, which is led by an Irish General, and sees this peacekeeping effort as contributing to the situation in adjacent Darfur. The Irish Government prefers not to expand its military engagement in Afghanistan, though it will consider additional development and humanitarian assistance there.

FAUCHER